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WAINOCO OIL AND CHEMICALS LIMITED



ANNUAL REPORT
1967

WAINOCO OIL AND CHEMICALS LIMITED

DIRECTORS

J. B. ASHMUN	<i>Calgary</i>
R. F. SMITH	<i>Calgary</i>
T. B. PICKENS, JR.	<i>Calgary</i>
H. D. LINDSLEY III	<i>Dallas, Texas</i>
W. H. MADDEN, JR.	<i>Amarillo, Texas</i>

OFFICERS

J. B. ASHMUN	<i>President</i>
R. F. SMITH	<i>Vice-President</i>
R. L. HANCOCK	<i>Secretary-Treasurer</i>

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE, CALGARY

COUNSEL

EDISON, AIRD & BERLIS, TORONTO, CANADA

OFFICES

Registered Office	111 Richmond Street West, Toronto
General Office	312 - 4th Avenue S.W., Calgary, Canada

REGISTRAR AND TRANSFER AGENT

MONTREAL TRUST COMPANY, TORONTO, CANADA

STOCK EXCHANGES

The company's shares are listed on
TORONTO STOCK EXCHANGE, TORONTO, CANADA
CANADIAN STOCK EXCHANGE, MONTREAL, CANADA

WAINOCO OIL AND CHEMICALS LIMITED

REPORT TO THE SHAREHOLDERS:

Significant improvement in the Company's growth is shown in this 1967 annual report. There has been a substantial gain in sales accompanied by a large increase in net income. Encouragement for the continuation of this trend is given through a fine recording of higher sales in the early period of 1968.

Further expansion of sales through the Chemical Division is planned by increasing both the territory covered and the addition of new products. It is hoped to achieve Company enlargement not only in the chemical field, but in diversified industries as well, through acquisitions and mergers. Increased participation in the development of natural resources will be stressed to help fulfill the objective of growth.

FINANCIAL

Consolidated net income in 1967 was \$106,233, or 8.5¢ per share on 1,249,435 outstanding shares, compared with \$60,854, or approximately 5¢ per share in 1966, reflecting a 75% gain. Consolidated sales for 1967 totaled \$2,971,878 compared with \$1,930,577 for the previous year, an increase of 53%. In the first three months of 1968, record sales of \$1,110,215 showed a 70% improvement over the first quarter of 1967.

CHEMICALS

The Travis Chemicals Division, Canada's largest distributor of gas processing chemicals, is responsible for the year's excellent sales record. The improvement in sales results from an expanding gas industry, the strengthening of Travis' position in this sales area and a wider range of chemicals marketed. Major products which helped establish the new achievement in volume were glycols, amines, dessicants, sulphur conversion catalysts, activated carbon, activated alumina and Sulfolane.

The Company's warehouse at Fort St. John provides an increasing service for oil and gas operations as well as those of farming and industry with its facilities for storage of drilling muds, chemicals, cement, fertilizers and asbestos.

Travchem Limited, Wainoco's 60% owned subsidiary, has made new inroads in its second year of operations with the manufacture and sale of chemical products for the oil and gas producing industry. In addition to the development of these sales, Travchem has increased its chemical analysis and consulting services performed in conjunction with the Calgary laboratory.

EXPLORATION AND DEVELOPMENT

OIL AND GAS

Following the disposition of most of the Company's oil and gas leases during the first half of 1967, studies were undertaken for the development of new prospects. Although these studies have not resulted in drilling or property acquisition, it is proposed to make a concerted effort towards creation of petroleum reserves in 1968. Areas of interest will be Northern Alberta, British Columbia and the Northwest Territories.

SULPHUR

The Company owns a 19,576 acre sulphur permit in Northern Alberta. Considerable sulphur exploration is being conducted in the areas adjacent to this holding, and evaluation of the property will be commenced in the near future.

MINING

In the summer of 1968 Wainoco will participate in a mineral exploration program operated by Canadian Industrial Gas & Oil, Ltd. in the eastern Yukon Territory. This project will involve geological and geochemical studies over a large area of hitherto relatively unexplored lands. Accessibility through use of helicopters makes the program currently feasible, and interest in the area is heightening.

ORGANIZATION CHANGES

Effective September 30, 1967, total assets of Travis Chemicals Limited were purchased by Wainoco. It is currently being operated as a division under the direction of Robert F. Smith, Vice President.

At a board meeting in January of 1968, a change in management of the Company took place. John B. Ashmun, T. Boone Pickens, Jr., Robert F. Smith, Wales H. Madden, Jr. and Henry D. Lindsley, III were elected to the five man board. New officers of the Company are John B. Ashmun, President, Robert F. Smith, Vice President, Ronald L. Hancock, Secretary-Treasurer.

Mr. Ashmun, Calgary, has operated in the oil, gas and mineral exploration business for the past twenty years. Mr. Smith, a chemical engineer, has been connected with Travis Chemicals since 1958, having managed this division since 1962. Mr. Hancock has been with the Company since 1961. Messrs. Pickens, Madden and Lindsley are all currently associated with the oil and gas business as well as mining and other industries.

Submitted on behalf of the Board.

J. B. ASHMUN,

President.

May 14, 1968

WAINOCO OIL AND

(Incorporated under

AND SUBSIDIA

CONSOLIDATED

DECEMBER

(with comparative figures

ASSETS

	<u>1967</u>	<u>1966</u>
CURRENT ASSETS		
Cash	\$ 157	\$ 3,612
Accounts receivable — trade	638,384	521,513
— other	29,984	26,964
Inventory of chemicals for resale, at the lower of cost and net realizable value	244,774	195,239
Prepaid expense and deposits	20,276	29,903
	<u>933,575</u>	<u>777,231</u>
NOTE RECEIVABLE		<u>43,732</u>
FIXED ASSETS, at cost		
Building, equipment and fixtures	291,463	275,089
Less accumulated depreciation	<u>94,441</u>	<u>63,097</u>
	197,022	211,992
Land	5,000	5,000
Petroleum property	<u>11,247</u>	<u>278,856</u>
	<u>213,269</u>	<u>495,848</u>
INTANGIBLE ASSET		
Excess of cost of shares of subsidiary over book value at acquisition (note 1)		<u>435,366</u>
Approved on behalf of the Board:		
JOHN B. ASHMUN, <i>Director</i>		
T. BOONE PICKENS, JR., <i>Director</i>		
	<u>\$ 1,146,844</u>	<u>\$ 1,752,177</u>

CHEMICALS LIMITED

(In accordance with the laws of Ontario)

COMPANIES

BALANCE SHEET

1967

(December 31, 1966)

LIABILITIES

	1967	1966
CURRENT LIABILITIES		
Bank advances, secured	\$ 27,748	\$ 17,000
Accounts payable	506,014	756,268
Income and other taxes payable	11,031	28,454
Principal instalments due within one year on long-term debt	54,931	19,271
	<u>599,724</u>	<u>820,993</u>
LONG-TERM DEBT		
4½% Chattel mortgage on equipment, maturing February, 1971	72,675	91,946
6% Agreement payable (note 1)	100,000	
	<u>172,675</u>	
Less principal instalments included in current liabilities	54,931	19,271
	<u>117,744</u>	<u>72,675</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
3,000,000 Common shares of \$1 par value		
Issued		
1,249,435 Common shares	1,249,435	1,249,435
CONTRIBUTED SURPLUS	1,723,060	1,723,060
DEFICIT	(2,543,119)	(2,113,986)
	<u>429,376</u>	<u>858,509</u>
	<u>\$ 1,146,844</u>	<u>\$ 1,752,177</u>

WAINOCO OIL AND CHEMICALS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	1967	1966
Sales	\$ 2,971,878	\$ 1,930,577
Cost of goods sold	2,544,727	1,654,637
Gross profit	427,151	275,940
Other income	36,985	37,992
	<u>464,136</u>	<u>313,932</u>
Expenses		
Selling expenses	197,443	153,764
General and administrative	134,831	107,952
	<u>332,274</u>	<u>261,716</u>
Operating income before undernoted items	131,862	52,216
Gain (loss) on sale of petroleum properties and equipment	(19,682)	363,915
Dry hole costs	(3,935)	(333,458)
	<u>(23,617)</u>	<u>30,457</u>
Income before income taxes and minority interest	108,245	82,673
Income taxes (note 2)	1,698	28,454
	<u>106,547</u>	<u>54,219</u>
Interest of minority shareholders in net income (loss) of a subsidiary	314	(6,635)
NET INCOME FOR THE YEAR	<u>\$ 106,233</u>	<u>\$ 60,854</u>

CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

BALANCE AT BEGINNING OF YEAR	\$ 2,113,986	\$ 2,192,982
Add		
Net cost of shares repurchased from employee (note 1)	100,000	—
Excess of cost of shares of subsidiary over book value at acquisition (note 1)	435,366	—
	<u>2,649,352</u>	<u>2,192,982</u>
Deduct		
Net income for the year	106,233	60,854
Balance of deferred income taxes at December 31, 1965 (note 2)	—	18,142
	<u>106,233</u>	<u>78,996</u>
BALANCE AT END OF YEAR	<u>\$ 2,543,119</u>	<u>\$ 2,113,986</u>

WAINOCO OIL AND CHEMICALS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1967

(with comparative figures for 1966)

	1967	1966
SOURCE OF FUNDS		
Operations		
Net income for the year	\$ 106,233	\$ 60,854
Add depreciation, which does not involve a current outlay of funds	36,729	29,391
	142,962	90,245
Net book value of fixed assets sold	307,490	150,997
Transfer of note receivable to current assets	31,732	—
Payment on note receivable	12,000	25,000
Sale of investment in affiliate	—	14,000
	494,184	280,242
APPLICATION OF FUNDS		
Additions to fixed assets	61,640	490,746
Decrease in non-current portion of 4½% Chattel mortgage	20,931	16,075
Principal instalments due within one year on 6% Agreement payable	34,000	—
	116,571	506,821
INCREASE (DECREASE) IN WORKING CAPITAL	377,613	(226,579)
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	(43,762)	182,817
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$ 333,851</u>	<u>\$ (43,762)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1967

1. BASIS OF CONSOLIDATION

The consolidated financial statements reflect the financial position and operations of the company and its wholly owned subsidiaries, Travis Mud and Chemicals (B.C.) Ltd. and Travis Chemicals Limited, and its 60% owned subsidiary, Travchem Limited.

Travis Chemicals operated until September 30, 1967 at which time it sold all its assets and undertakings to Wainoco. A senior officer of Travis Chemicals was granted an option in 1963 to purchase 25% of the outstanding shares of that company from Wainoco. The option was exercised during the year and the shares repurchased for a net cost of \$100,000 payable in three annual instalments commencing in February, 1968. This amount, together with the excess of the cost of shares in Travis Chemicals over the book value at date of acquisition in 1963, \$435,366, has been charged to the consolidated deficit.

2. INCOME TAXES

Taxes payable for the year by the companies have been reduced by approximately \$44,000, chiefly as a result of claiming the loss incurred by Travis Chemicals on the sale of its fixed assets to Wainoco. At December 31, 1967 capital cost allowances in excess of the net book value of the companies' fixed assets of approximately \$544,000, together with previous years' losses of \$98,000, were available to be claimed for tax purposes in future years.

As Travis Chemicals is now inactive, deferred taxes provided by that company in previous years have been reversed and the 1966 financial statements restated to reflect income taxes actually payable for that year.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration of Wainoco's directors and senior officers (as defined by the Corporations Act of Ontario) amounted to \$14,602 in 1967.

AUDITORS' REPORT

To the Shareholders of
Wainoco Oil and Chemicals Limited

We have examined the consolidated balance sheet of Wainoco Oil and Chemicals Limited and its subsidiary companies as at December 31, 1967 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, but did not include verification of inventory quantities by physical inspection or otherwise.

Subject to the effect of the foregoing, in our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

CALGARY, Alberta
March 15, 1968

The Globe & Mail
F.P. Publications Ltd.
King & York Street
Toronto, Ontario

WAINOCO OIL AND CHEMICALS LIMITED

312 Fourth Avenue S.W.

CALGARY 1, ALBERTA

NOTICE OF ANNUAL AND A SPECIAL GENERAL MEETING
OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual and a Special General Meeting of the Shareholders of Wainoco Oil and Chemicals Limited (hereinafter called the "Company") will be held in the Alberta Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Canada, on Monday, the 31st day of March, 1969, at the hour of 2:00 o'clock in the afternoon (Toronto Time) for the following purposes:

1. To receive the Annual Report, the Financial Statements and the Auditors' Report thereon for the year 1968;
2. To elect Directors for the ensuing year;
3. To appoint Auditors and authorize the Directors to fix their remuneration;
4. To consider and, if thought advisable, to pass a Resolution approving a private placement by the Company to 11 individuals and 2 companies of 450,000 shares of the capital stock of the Company at a price of \$2.40 per share, for an aggregate consideration of \$1,080,000, said shares to be held in escrow by said parties for a 2 year period;
5. To transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

Enclosed herewith is an explanatory statement entitled "Information Circular" wherein further particulars of the matters referred to in this Notice are set out, Audited Financial Statements as at December 31, 1968, the Auditors' Report thereon, an Instrument of Proxy and a Letter to the Shareholders from the Board of Directors of the Company.

Shareholders who are unable to be present at the meeting are requested to sign and return in the envelope provided for that purpose, the enclosed form of Instrument of Proxy for use at the meeting.

DATED at Calgary, Alberta, this 3rd day of March, 1969.

By Order of the Board of Directors

"RONALD L. HANCOCK"

Secretary-Treasurer

WAINOCO OIL AND CHEMICALS LIMITED

INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation of proxies for use at the Annual and a Special General Meeting of Shareholders of the Company to be held on Monday, the 31st day of March, 1969, at the hour of 2:00 o'clock in the afternoon, and at any adjournment or adjournments thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Company. The cost of solicitation will be borne by the Company.

VOTING OF PROXIES

The enclosed Proxy is solicited by the Management of the Company.

The shares represented by the form of proxy enclosed herewith will be voted and, where a choice with respect to any matter to be acted upon has been specified in the form of proxy, the shares shall, subject to Section 105 of The Securities Act, 1966 (Ontario), be voted in accordance with the specification so made. With respect to matters as to which a choice is not so specified, it is intended to vote the shares represented by the form of proxy in favour of each such matter. The form of proxy also confers discretionary authority with respect to amendments or variations to matters identified in the notice of meeting and other matters which may properly come before the meeting.

A shareholder giving a proxy in the form enclosed has the power to revoke it at any time before it is exercised.

A shareholder has the right to appoint a person to represent him at the meeting other than the persons designated in the form of proxy. To exercise this right, the shareholder may insert the name of the desired person in the blank space provided in the form of proxy or may submit another form of proxy.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are presently issued and outstanding 1,699,435 common shares of the Company, the holders of which on the register of the Company at the time of the meeting are entitled to attend and to vote thereat on the basis of one vote for each such share held.

All Shareholders of record as of the time of the Annual and a Special General Meeting or any adjournment or adjournments thereof are entitled either to attend and vote thereat in person the shares held by them or, provided a complete and executed form of proxy shall have been delivered to the Company within the time hereinbefore specified, to attend and vote thereat by proxy the shares held by them.

Palm Enterprises, 800 Elveden House, Calgary 2, Alberta is the beneficial and recorded owner of 251,032 shares of the Company representing approximately 14.7% of the issued and outstanding shares of the Company. Palm Enterprises is a partnership owned in four equal parts by the following: T. B. Pickens, Jr., 1501 Taylor Street, Amarillo, Texas; J. B. Ashmun, 800 Elveden House, Calgary 2, Alberta; Henry D. Lindsley III, 4209 Arcady, Dallas, Texas; and Wales H. Madden, Jr., 700 West 9th, Amarillo, Texas, all Directors of the Company.

John B. Ashmun, 1228 Prospect Avenue S.W., Calgary 3, Alberta, is the beneficial and recorded owner of 410,000 shares of the Company representing approximately 24.13% of its issued and outstanding shares in addition to his beneficial interest in the shares of the Company as a partner in Palm Enterprises.

ELECTION OF DIRECTORS

The Board of Directors consists of 5 Directors, each of whom is elected annually to serve until the next Annual Meeting of Shareholders or, subject to the Company's By-laws, until his successor is elected or appointed. It is intended that the following persons all of whom are presently Directors of the Company and have been since the date indicated, will be nominated at the meeting. *The persons whose names are printed in as proxies in the enclosed form of proxy will vote all shares over which they have control for the election of management's nominees.* Management does not contemplate that any of its nominees will be unable to serve as a Director but, if it should occur for any reason prior to the Meeting that any of such nominees are unable or unwilling to serve, it is intended that discretionary authority shall be exercised by the persons named in the enclosed form of proxy to vote the said proxy for the election of any other person or persons in place of any nominee or nominees thus unable or unwilling to serve.

Name and present principal occupation	Year first became a Director	Number of shares beneficially owned, directly or indirectly, as of March, 1969
John B. Ashmun, President, Wainoco Oil and Chemicals Limited	1968	472,758 *
Robert F. Smith, Vice-President, Wainoco Oil and Chemicals Limited	1962 **	55,000
T. B. Pickens, Jr., President, Mesa Petroleum Company	1968	65,258
Wales H. Madden, Jr., Partner, Selecman and Madden, Attorneys	1968	62,758
Henry D. Lindsley, III Lehman Bros., Dallas, Texas	1968	62,758

NOTES

* Mr. Ashmun is the holder of an option on 10,000 shares of the capital stock of the Company, particulars of which are set out under the heading "Remuneration of Management and Stock Options".

** Mr. Smith was a Director during the years 1962 and 1963. In 1964, he resigned from the Board and was re-elected in 1967.

REMUNERATION OF MANAGEMENT AND STOCK OPTIONS

During the financial year ended December 31, 1968, the aggregate direct remuneration paid or payable by the Company and its subsidiaries to the Directors and Senior Officers of the Company was \$94,470.

During the year, the Company established an Employee Incentive Stock Option Plan for key employees and reserved 62,000 shares in the capital stock of the Company for this purpose. Mr. John B. Ashmun, the President of the Company, was granted on February 15th, 1968, an option under this plan to acquire 10,000 shares of the Company at \$1.25 per share. Said option may be exercised as to 5,000 shares after February 15, 1969 and as to the remaining 5,000 shares after February 15, 1970. For the 30 day period preceding the date of the granting this option, the price range for the shares of the capital stock of the Company was \$1.20 to \$1.95.

By agreement, dated May 6, 1968, the Company agreed to sell to Mr. Robert F. Smith, the Vice-President of the Company, 1016 Bel-Aire Drive, Calgary, Alberta, 15,000 shares of the Company at a price of \$1.35 per share for a total consideration of \$20,250. Pursuant to said agreement, the shares were issued and delivered up to a Trustee to be delivered to Mr. Smith against payment by Mr. Smith of a non-interest bearing promissory note in the Company's favour for said \$20,250. The 15,000 shares are to be acquired over a 5 year period and not more than 20% of the shares are to be paid for and delivered up to Mr. Smith by the Trustee in each of the 5 years. At the date hereof, there is still owing on said promissory note the amount of \$20,250.

On the 7th day of June, 1968, the Company granted to Mr. Roger H. Giovanetto, 411 Woodland Crescent, Calgary, Alberta, the Vice-President and a Director of Travchem Limited, an option to acquire 10,000 shares in the capital stock of the Company at a price of \$1.45 per share. For the 30 day period preceding the date of the granting of said option, the price range for the said shares of the capital stock of the Company was \$1.30 to \$1.60. The 10,000 shares may be acquired over a 5 year period and not more than 20% of the said shares may be acquired in each of the years during the option agreement, the option terminating on June 7, 1973.

By agreements, dated January 3, 1969, the Company, under the Employee Incentive Stock Option Plan, granted to Mr. Fred Albert McComb, 8939 - 146 Street, Edmonton 72, Alberta, and Mr. Robert J. Leslie, 926 Durham Ave., S.W., Calgary 3, Alberta, both employees of the Company, respective options on 5,000 shares of the Company for a 5 year term at a price of \$3.06 per share. Said options may be exercised only as to 20% thereof in each of said years. For the 30 day period preceding the date of the granting of said options, the price range for the said shares of the capital stock of the Company was \$3.00 to \$4.35.

By agreement, dated January 3, 1969, the Company agreed to sell to Mr. William A. Faubion, 3003 Montcalm Crescent S.W., Calgary 6, Alberta, 10,000 shares of the Company at a price of \$3.60 per share being the price on the Toronto Stock Exchange for the Company's shares at said date for a total consideration of \$36,000. Pursuant to said agreement, the shares are to be issued and retained by the Company as security against payment by him of a non-interest bearing promissory note in the Company's favour for said \$36,000. The 10,000 shares are to be acquired over a 5 year period and not more than 20% of the shares are to be paid for and delivered up to Mr. Faubion in each of the 5 years.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Mr. John B. Ashmun, the President and a Director of the Company, was the owner of all the issued and outstanding shares in the capital stock of J. B. Ashmun, Inc. By an agreement, dated August 19, 1968, the Company agreed to purchase from Mr. Ashmun all the issued and outstanding shares of J. B. Ashmun, Inc. for a consideration of 410,000 shares in the capital stock of the Company. This share consideration was determined on the following basis:

- (a) At a meeting of the Directors of the Company on July 24, 1968, it was agreed that the Company exchange 325,000 shares of its capital stock for the Canadian assets of J. B. Ashmun, Inc., such number of shares being determined on the basis of the evaluation of these assets and the market price of said shares on that date.
- (b) At a subsequent meeting on August 19, 1968, the Directors approved the acquisition of 100% of the shares of J. B. Ashmun, Inc. for the said 325,000 shares (mentioned in (a) above) plus an additional 85,000 shares for the net American assets of J. B. Ashmun, Inc., such 85,000 shares being determined on the basis of the evaluation of the net American assets and the market value of the Company's shares as of August 16, 1968.

The value of the Canadian assets of J. B. Ashmun, Inc. was determined in accordance with an evaluation thereof prepared by J. C. Sproule and Associates Ltd., oil and gas engineering and geological consultants, Calgary, Alberta. The value of the net American assets of J. B. Ashmun, Inc. was determined with reference to an evaluation of the American oil and gas properties of J. B. Ashmun, Inc., prepared by LLC & C Engineering Inc., petroleum consultants, Midland, Texas.

The agreement above referred to was approved by the shareholders on October 11, 1968 and as a result thereof J. B. Ashmun, Inc. became a wholly owned subsidiary of the Company and Mr. Ashmun acquired 410,000 fully paid and non-assessable shares in the capital stock of the Company.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

In the event shareholders pass a Resolution approving the private placement by the Company to 11 individuals and 2 companies of 450,000 shares of the capital stock of the Company at a price of \$2.40 per share, all of which will be escrowed for a 2 year period, notice is hereby given that the four Directors and/or Senior Officers of the Company noted below, will obtain the number of escrowed shares set opposite their respective names by virtue of their participation in the private placement and their subscriptions for said shares at the price of \$2.40 per share:

Name	No. of Escrowed Shares Subscribed for
John B. Ashmun	28,125
T. B. Pickens, Jr.	28,125
Wales H. Madden, Jr.	28,125
Henry D. Lindsley, III	28,125

APPOINTMENT OF AUDITORS

Management proposes to nominate Clarkson, Gordon & Co. as auditors of the Company to hold office until the next Annual Meeting of Shareholders, at a remuneration to be fixed by the Directors. Clarkson, Gordon & Co. were first appointed auditors of the Company on May 4, 1968.

UNLESS OTHERWISE INSTRUCTED, PROXIES WHICH ARE RECEIVED PURSUANT TO THIS SOLICITATION WILL BE VOTED FOR THE APPOINTMENT OF CLARKSON, GORDON & CO. AS AUDITORS.

It is not the intention of the Management of the Company to bring any other matters before the meeting other than the matters referred to in the Notice of Special General Meeting of Shareholders. It should be noted, however, that THE ENCLOSED FORM OF PROXY IS A DISCRETIONARY PROXY AND THE PERSONS NAMED THEREIN ARE AUTHORIZED TO VOTE IN ACCORDANCE WITH THEIR JUDGEMENT ON ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.

By order of the Board of Directors

"RONALD L. HANCOCK"

Secretary-Treasurer

Calgary, Alberta.
March 3, 1969.